

**CITY OF ELLIS, KANSAS**  
Ellis, Kansas

Financial Statements with Independent Auditors' Report

For the Year Ended December 31, 2006

**CITY OF ELLIS, KANSAS**  
Financial Statements with Independent Auditors' Report  
For the Year Ended December 31, 2006

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## INDEPENDENT AUDITORS' REPORT

The Mayor and Council Members  
**City of Ellis, Kansas**  
Ellis, Kansas 67637

We have audited the accompanying financial statements of the **City of Ellis, Kansas**, as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the **City of Ellis, Kansas'** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the **City of Ellis, Kansas** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the **City of Ellis, Kansas**, as of December 31, 2006, or changes in financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of the **City of Ellis, Kansas**, as of December 31, 2006, their respective cash receipts and disbursements, and budgetary results for the year then ended, on the basis of accounting described in Note 1.

**ADAMS, BROWN, BERAN AND BALL, CHTD.**  
Certified Public Accountants

May 21, 2007

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**CITY OF ELLIS, KANSAS**  
**Summary of Cash Receipts, Expenditures, and Unencumbered Cash**  
For the Year Ended December 31, 2006

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
<b>Government Type Funds</b>							
General Fund	\$ 851,719	-	958,707	820,502	989,924	74,230	1,064,154
Special Revenue Funds							
Special Highway Fund	4,182	-	52,910	53,475	3,617	1,233	4,850
Special Parks & Recreation Fund	11,705	-	3,820	-	15,525	-	15,525
Capital Improvement Fund	219,546	-	19,459	450	238,555	-	238,555
Capital Improvement Fund - Cemetery Expansion	64,086	-	6,436	70,507	15	-	15
Special Machinery Fund	28,840	-	56,849	51,974	33,715	-	33,715
Library Fund	1,008	-	36,454	37,339	123	-	123
<b>Total Special Revenue Funds</b>	<b>323,367</b>	<b>-</b>	<b>175,928</b>	<b>213,745</b>	<b>291,550</b>	<b>1,233</b>	<b>292,783</b>
Debt Service Fund							
Bond and Interest Fund	35,676	-	84,440	57,666	62,450	-	62,450
<b>Capital Project Funds</b>							
TIF Project Fund - Southridge	(46,866)	-	150,631	80,521	23,244	-	23,244
Water Project Fund	-	-	6,079,011	5,898,830	180,181	3,247,477	3,427,658
<b>Total Capital Project Funds</b>	<b>(46,866)</b>	<b>-</b>	<b>6,229,642</b>	<b>5,979,351</b>	<b>203,425</b>	<b>3,247,477</b>	<b>3,450,902</b>
<b>Fiduciary Funds</b>							
Coinsurance Fund	52,521	-	112,865	100,265	65,121	-	65,121
Cemetery Endowment Fund	32,297	-	1,375	-	33,672	-	33,672
<b>Total Fiduciary Funds</b>	<b>84,818</b>	<b>-</b>	<b>114,240</b>	<b>100,265</b>	<b>98,793</b>	<b>-</b>	<b>98,793</b>
<b>Enterprise Funds</b>							
Campground Utility Fund	3,939	-	17,873	13,179	8,633	2,805	11,438
Water Utility Fund	116,678	-	288,051	292,066	112,673	5,450	118,123
Sewer Utility Fund	307,967	-	163,535	203,531	267,971	1,471	269,442
Sanitation Utility Fund	133,333	-	263,660	222,404	174,589	3,359	177,948
Water Depreciation Reserve Fund	202,905	-	60,000	23,562	239,343	6,372	245,715
Sewer Depreciation Reserve Fund	25,004	-	5,000	-	30,004	-	30,004
<b>Total Enterprise Funds</b>	<b>789,826</b>	<b>-</b>	<b>798,129</b>	<b>754,742</b>	<b>833,213</b>	<b>19,457</b>	<b>852,670</b>
<b>Total Primary Government</b>	<b>2,044,540</b>	<b>-</b>	<b>8,361,086</b>	<b>7,926,271</b>	<b>2,479,355</b>	<b>3,342,397</b>	<b>5,821,752</b>
<b>Component Units</b>							
Ellis Public Library	30,837	-	52,503	55,718	27,622	265	27,887
<b>Total Reporting Unit</b>	<b>\$ 2,075,377</b>	<b>-</b>	<b>\$ 8,413,589</b>	<b>\$ 7,981,989</b>	<b>\$ 2,506,977</b>	<b>\$ 3,342,662</b>	<b>\$ 5,849,639</b>

**Composition of Cash:**  
**Certificates of Deposits:**  
**Certificates of Deposits:**  
**Savings Account:**  
**Treasury Series HH Bonds:**  
**Repurchase Agreements:**  
**Checking Accounts:**

Ellis State Bank	\$ 4,045,000
Golden Belt Bank	1,201
Golden Belt Bank	8,674
Ellis State Bank	5,500
Golden Belt Bank	988,000
Ellis State Bank	771,877
	5,820,252
Cash on Hand	1,500
Total Primary Government	5,821,752
Total Component Units	27,887
<b>Total Reporting Entity</b>	<b>\$ 5,849,639</b>

The notes to the financial statements are an integral part of this statement.

CITY OF ELLIS, KANSAS  
Summary of Expenditures - Actual and Budget  
For the Year Ended December 31, 2006

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
<b>Government Type Fund</b>					
General Fund	\$ 1,446,528	-	1,446,528	820,502	626,026
<b>Special Revenue Funds</b>					
Special Highway Fund	58,414	-	58,414	53,475	4,939
Special Parks & Recreation Fund	13,520	-	13,520	-	13,520
Library Fund	37,339	-	37,339	37,339	-
<b>Debt Service Fund</b>					
Bond and Interest Fund	76,595	-	76,595	57,666	18,929
<b>Enterprise Funds</b>					
Campground Utility Fund	13,900	-	13,900	13,179	721
Water Utility Fund	295,153	-	295,153	292,066	3,087
Sewer Utility Fund	217,667	-	217,667	203,531	14,136
Sanitation Utility Fund	243,272	-	243,272	222,404	20,868

## CITY OF ELLIS, KANSAS

## General Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
<b>Taxes</b>				
Ad Valorem	\$ 416,472	484,208	486,906	(2,698)
Delinquent	8,231	7,581	-	7,581
Motor Vehicle	89,366	85,401	74,976	10,425
<b>Total Taxes</b>	<u>514,069</u>	<u>577,190</u>	<u>561,882</u>	<u>15,308</u>
<b>Intergovernmental</b>				
Compensating Use Tax	18,812	16,693	10,000	6,693
Escape Tax	182	9	-	9
Local Alcoholic Liquor Tax	2,060	3,275	2,120	1,155
City Sales Tax	122,116	151,147	100,000	51,147
State Grant	2,120	-	-	-
<b>Total Intergovernmental</b>	<u>145,290</u>	<u>171,124</u>	<u>112,120</u>	<u>59,004</u>
<b>Licenses and Permits</b>				
Licenses and Permits	13,767	10,777	7,000	3,777
Franchise Fees	68,629	71,977	60,000	11,977
<b>Total Licenses and Permits</b>	<u>82,396</u>	<u>82,754</u>	<u>67,000</u>	<u>15,754</u>
<b>Miscellaneous</b>				
Grave Openings and Closings	6,400	3,574	3,000	574
Copy Fees	183	120	150	(30)
Miscellaneous	25,805	17,681	5,000	12,681
Cemetery Lots	2,900	800	500	300
Pop Sales	76	171	100	71
Pool Fees & Concessions	4,931	6,214	5,000	1,214
DARE Program Donations	186	115	200	(85)
Museum Roundup Program	314	355	300	55
Park Committee	2,103	8,191	-	8,191
<b>Total Miscellaneous</b>	<u>42,898</u>	<u>37,221</u>	<u>14,250</u>	<u>22,971</u>
<b>Fines and Forfeitures</b>				
Fines	25,467	29,577	6,000	23,577
Court Costs	4,410	4,340	1,500	2,840
<b>Total Fines and Forfeitures</b>	<u>29,877</u>	<u>33,917</u>	<u>7,500</u>	<u>26,417</u>
<b>Total Cash Receipts Carried Forward</b>	<u>\$ 814,530</u>	<u>902,206</u>	<u>762,752</u>	<u>139,454</u>

The notes to the financial statements are an integral part of this statement.

## CITY OF ELLIS, KANSAS

## General Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Total Cash Receipts Brought Forward \$</b>	<b>814,530</b>	<b>902,206</b>	<b>762,752</b>	<b>139,454</b>
<b>Use of Money and Property</b>				
Interest	21,128	40,273	12,000	28,273
Rentals & Leases	5,975	16,228	1,300	14,928
<b>Total Use of Money and Property</b>	<b>27,103</b>	<b>56,501</b>	<b>13,300</b>	<b>43,201</b>
<b>Transfers In</b>	<b>143</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Cash Receipts</b>	<b>841,776</b>	<b>958,707</b>	<b>776,052</b>	<b>182,655</b>
<b>Expenditures</b>				
<b>General Government</b>				
Personal Services	40,091	46,055	45,974	(81)
Contractual	146,834	135,766	153,000	17,234
Elections	-	1,249	1,500	251
Commodities	27,726	16,842	12,250	(4,592)
Capital Outlay	-	2,486	3,000	514
<b>Total General Government</b>	<b>214,651</b>	<b>202,398</b>	<b>215,724</b>	<b>13,326</b>
<b>Police Department</b>				
Personal Services	166,985	184,673	220,328	35,655
Contractual	13,025	8,984	15,400	6,416
Commodities	25,289	23,143	22,500	(643)
Capital Outlay	-	5,764	2,500	(3,264)
<b>Total Police Department</b>	<b>205,299</b>	<b>222,564</b>	<b>260,728</b>	<b>38,164</b>
<b>Municipal Court</b>				
Personal Services	2,554	2,696	2,620	(76)
Contractual	3,112	3,348	2,507	(841)
Commodities	328	191	500	309
<b>Total Municipal Court</b>	<b>5,994</b>	<b>6,235</b>	<b>5,627</b>	<b>(608)</b>
<b>Fire Department</b>				
Personal Services	16,230	21,145	18,400	(2,745)
Contractual	8,231	6,922	12,000	5,078
Commodities	3,681	3,927	5,500	1,573
Capital Outlay	-	-	5,000	5,000
<b>Total Fire Department</b>	<b>28,142</b>	<b>31,994</b>	<b>40,900</b>	<b>8,906</b>
<b>Total Expenditures Carried Forward \$</b>	<b>454,086</b>	<b>463,191</b>	<b>522,979</b>	<b>59,788</b>

The notes to the financial statements are an integral part of this statement.

## CITY OF ELLIS, KANSAS

## General Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Total Expenditures Brought Forward</b>	\$ 454,086	463,191	522,979	59,788
<b>Appropriations</b>				
Museums	30,000	30,000	30,000	-
Library Employee Benefit	2,500	2,500	2,500	-
Main Street	15,000	7,500	15,000	7,500
<b>Total Appropriations</b>	47,500	40,000	47,500	7,500
<b>Park Department</b>				
Personal Services	16,931	33,401	37,938	4,537
Contractual	5,536	10,014	12,400	2,386
Commodities	8,479	9,348	10,100	752
Capital Outlay	3,708	6,945	9,000	2,055
<b>Total Park Department</b>	34,654	59,708	69,438	9,730
<b>Cemetery</b>				
Personal Services	16,794	-	-	-
Contractual	3,212	-	-	-
Commodities	2,684	-	-	-
<b>Total Cemetery</b>	22,690	-	-	-
<b>Swimming Pool</b>				
Personal Services	21,363	18,385	26,288	7,903
Contractual	13,576	4,325	12,100	7,775
Commodities	10,429	11,319	6,000	(5,319)
Capital Outlay	-	20,718	25,000	4,282
<b>Total Swimming Pool</b>	45,368	54,747	69,388	14,641
<b>Economic Development</b>	37,565	65,000	527,318	462,318
<b>Industrial Development</b>	4,500	4,500	4,500	-
<b>Water Project Costs</b>	-	-	35,000	35,000
<b>Risk Management</b>	2,300	176	30,000	29,824
<b>Street Department</b>	-	11,669	12,000	331
<b>DARE Program</b>	1,193	106	7,000	6,894
<b>Transfers Out</b>	116,405	121,405	121,405	-
<b>Total Expenditures</b>	766,261	820,502	1,446,528	626,026
<b>Receipts Over (Under) Expenditures</b>	75,515	138,205		
<b>Unencumbered Cash, January 1</b>	776,204	851,719		
<b>Unencumbered Cash, December 31</b>	\$ 851,719	989,924		

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Special Highway Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2006  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
Intergovernmental	\$ 53,359	52,613	54,510	(1,897)
Interest	180	159	-	159
Miscellaneous	1,105	138	-	138
<b>Total Cash Receipts</b>	<u>54,644</u>	<u>52,910</u>	<u>54,510</u>	<u>(1,600)</u>
<b>Expenditures</b>				
Personal Services	36,830	37,457	40,972	3,515
Contractual	3,553	1,829	2,362	533
Commodities	7,566	5,909	6,800	891
Transfer Out	8,280	8,280	8,280	-
<b>Total Expenditures</b>	<u>56,229</u>	<u>53,475</u>	<u>58,414</u>	<u>4,939</u>
<b>Receipts Over (Under) Expenditures</b>	(1,585)	(565)		
<b>Unencumbered Cash, January 1</b>	<u>5,767</u>	<u>4,182</u>		
<b>Unencumbered Cash, December 31</b>	\$ <u>4,182</u>	<u>3,617</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Special Parks and Recreation Fund**  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
<b>Intergovernmental</b>				
Local Alcoholic Liquor Tax	\$ 2,060	3,275	2,120	1,155
Interest	245	545	-	545
<b>Total Cash Receipts</b>	2,305	3,820	2,120	1,700
<b>Expenditures</b>				
Capital Outlay	-	-	13,520	13,520
<b>Receipts Over (Under) Expenditures</b>	2,305	3,820		
<b>Unencumbered Cash, January 1</b>	9,400	11,705		
<b>Unencumbered Cash, December 31</b>	\$ 11,705	15,525		

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Capital Improvement Fund**  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Interest	\$ 6,030	9,459
Transfers In	10,000	10,000
<b>Total Cash Receipts</b>	16,030	19,459
<b>Expenditures</b>		
Capital Outlay	34,669	450
<b>Receipts Over (Under) Expenditures</b>	(18,639)	19,009
<b>Unencumbered Cash, January 1</b>	238,185	219,546
<b>Unencumbered Cash, December 31</b>	\$ 219,546	238,555

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Capital Improvement Fund - Cemetery Expansion**  
**Statement of Cash Receipts and Expenditures - Actual**  
**For the Year Ended December 31, 2006**  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Interest	\$ 1,655	1,436
Transfers In	5,000	5,000
<b>Total Cash Receipts</b>	6,655	6,436
<b>Expenditures</b>		
Other Contractual Services	-	695
Capital Outlay	-	69,812
<b>Total Expenditures</b>	-	70,507
<b>Receipts Over (Under) Expenditures</b>	6,655	(64,071)
<b>Unencumbered Cash, January 1</b>	57,431	64,086
<b>Unencumbered Cash, December 31</b>	\$ 64,086	15

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Special Machinery Fund**  
Statement of Cash Receipts and Expenditures - Actual  
For the Year Ended December 31, 2006  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Interest	\$ 967	1,849
Transfers In	50,000	55,000
<b>Total Cash Receipts</b>	50,967	56,849
<b>Expenditures</b>		
Capital Outlay	55,418	51,974
<b>Receipts Over (Under) Expenditures</b>	(4,451)	4,875
<b>Unencumbered Cash, January 1</b>	16,291	28,840
<b>Prior Year Cancelled Encumbrances</b>	17,000	-
<b>Unencumbered Cash, December 31</b>	\$ 28,840	33,715

The notes to the financial statements are an integral part of this statement.

## CITY OF ELLIS, KANSAS

## Library Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
<b>Taxes</b>				
Ad Valorem	\$ 29,842	29,685	29,852	(167)
Delinquent	497	487	-	487
Motor Vehicle	4,953	6,216	5,372	844
Escape Tax	8	1	-	1
Interest	64	65	-	65
<b>Total Cash Receipts</b>	<u>35,364</u>	<u>36,454</u>	<u>35,224</u>	<u>1,230</u>
<b>Expenditures</b>				
Library Appropriations	<u>36,315</u>	<u>37,339</u>	<u>37,339</u>	<u>-</u>
<b>Receipts Over (Under) Expenditures</b>	(951)	(885)		
<b>Unencumbered Cash, January 1</b>	<u>1,959</u>	<u>1,008</u>		
<b>Unencumbered Cash, December 31</b>	\$ <u>1,008</u>	<u>123</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Library Employee Benefits Fund**  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
Interest	\$ 1	-	-	-
<b>Expenditures</b>				
Transfers Out	143	-	-	-
<b>Receipts Over (Under) Expenditures</b>	(142)	-		
<b>Unencumbered Cash, January 1</b>	142	-		
<b>Unencumbered Cash, December 31</b>	\$ -	-		

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Bond and Interest Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2006  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
<b>Taxes</b>				
Ad Valorem	\$ 33,658	34,461	29,334	5,127
Delinquent	326	418	-	418
Motor Vehicle	2,453	5,999	6,059	(60)
Escape Tax	4	-	-	-
Special Assessments	39,602	41,102	18,547	22,555
Interest	1,020	2,460	500	1,960
<b>Total Cash Receipts</b>	<u>77,063</u>	<u>84,440</u>	<u>54,440</u>	<u>30,000</u>
<b>Expenditures</b>				
Principal	45,000	45,000	45,000	-
Interest	13,200	7,375	7,375	-
Commission Fees	7	3	10	7
Taxable Special Obligation Bond Interest	-	5,288	4,210	(1,078)
Reserve for Cash Basis	-	-	20,000	20,000
<b>Total Expenditures</b>	<u>58,207</u>	<u>57,666</u>	<u>76,595</u>	<u>18,929</u>
<b>Receipts Over (Under) Expenditures</b>	18,856	26,774		
<b>Unencumbered Cash, January 1</b>	<u>16,820</u>	<u>35,676</u>		
<b>Unencumbered Cash, December 31</b>	<u>\$ 35,676</u>	<u>62,450</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**TIF Project Fund - Southridge**  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Bond Proceeds	\$ -	150,000
Interest	6,253	631
<b>Total Cash Receipts</b>	6,253	150,631
<b>Expenditures</b>		
Contractual	549,536	46,484
Interest Expense	37,031	34,037
Miscellaneous	34,029	-
<b>Total Expenditures</b>	620,596	80,521
<b>Receipts Over (Under) Expenditures</b>	(614,343)	70,110
<b>Unencumbered Cash, January 1</b>	567,477	(46,866)
<b>Unencumbered Cash, December 31</b>	\$ (46,866)	23,244

The notes to the financial statements are an integral part of this statement.

## CITY OF ELLIS, KANSAS

## Water Project Fund

## Statement of Cash Receipts and Expenditures - Actual

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Bond Proceeds	\$ -	5,470,000
Temporary Notes	-	590,000
Interest	-	19,011
<b>Total Cash Receipts</b>	-	6,079,011
<b>Expenditures</b>		
Contractual Services	-	3,598,799
Construction Costs	-	1,170,605
Engineering Costs	-	181,929
Supplies and Parts	-	33,954
Bond Principal	-	160,000
Bond Interest	-	4,210
Temporary Notes Principal	-	590,000
Temporary Notes Interest	-	10,161
Issuance Costs	-	145,186
Miscellaneous	-	3,986
<b>Total Expenditures</b>	-	5,898,830
<b>Receipts Over (Under) Expenditures</b>	-	180,181
<b>Unencumbered Cash, January 1</b>	-	-
<b>Unencumbered Cash, December 31</b>	\$ -	180,181

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Coinsurance Fund**  
**Statement of Cash Receipts and Expenditures - Actual**  
**For the Year Ended December 31, 2006**  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Interest	\$ 925	2,445
Transfers In	110,420	110,420
<b>Total Cash Receipts</b>	111,345	112,865
<b>Expenditures</b>		
Contractual	99,191	100,265
<b>Receipts Over (Under) Expenditures</b>	12,154	12,600
<b>Unencumbered Cash, January 1</b>	40,367	52,521
<b>Unencumbered Cash, December 31</b>	\$ 52,521	65,121

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Cemetery Endowment Fund**  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Interest	\$ 929	1,375
<b>Unencumbered Cash, January 1</b>	<u>31,368</u>	<u>32,297</u>
<b>Unencumbered Cash, December 31</b>	<u>\$ 32,297</u>	<u>33,672</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Drug Enforcement Trust Fund**  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Interest	\$ 1	-
<b>Expenditures</b>		
Contractual	471	-
<b>Receipts Over (Under) Expenditures</b>	(470)	-
<b>Unencumbered Cash, January 1</b>	470	-
<b>Unencumbered Cash, December 31</b>	\$ -	-

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Campground Utility Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2006  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
User Fees	\$ 12,094	14,175	11,000	3,175
Rentals and Leases	3,500	3,500	2,900	600
Interest	46	198	-	198
<b>Total Cash Receipts</b>	15,640	17,873	13,900	3,973
<b>Expenditures</b>				
Personal Services	2,604	2,558	2,739	181
Contractual	6,380	3,112	3,350	238
Commodities	2,281	6,819	1,300	(5,519)
Capital Outlay	-	-	5,821	5,821
Transfer Out	690	690	690	-
<b>Total Expenditures</b>	11,955	13,179	13,900	721
<b>Receipts Over (Under) Expenditures</b>	3,685	4,694		
<b>Unencumbered Cash, January 1</b>	254	3,939		
<b>Unencumbered Cash, December 31</b>	\$ 3,939	8,633		

The notes to the financial statements are an integral part of this statement.

## CITY OF ELLIS, KANSAS

## Water Utility Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
Water Sales	\$ 238,632	257,519	237,500	20,019
Connects and Disconnects	4,846	10,560	2,000	8,560
Water Dock	678	206	250	(44)
Penalties	1,697	2,209	1,000	1,209
Miscellaneous	9,480	8,190	2,500	5,690
Interest	6,833	9,377	6,000	3,377
<b>Total Cash Receipts</b>	<u>262,166</u>	<u>288,061</u>	<u>249,250</u>	<u>38,811</u>
<b>Expenditures</b>				
<b>Transmission and Distribution - Water</b>				
Personal Services	90,259	107,170	112,088	4,918
Contractual	47,058	40,451	59,500	19,049
Commodities	26,436	54,645	33,600	(21,045)
Capital Outlay	-	5,474	5,000	(474)
<b>Total Production</b>	<u>163,753</u>	<u>207,740</u>	<u>210,188</u>	<u>2,448</u>
<b>Non-Operating Expenses</b>				
Consumer Deposit Interest	413	2	500	498
Lease Purchase Payments	2,359	2,359	2,500	141
Transfers Out	61,965	81,965	81,965	-
<b>Total Non-Operating Expenses</b>	<u>64,737</u>	<u>84,326</u>	<u>84,965</u>	<u>639</u>
<b>Total Expenditures</b>	<u>228,490</u>	<u>292,066</u>	<u>295,153</u>	<u>3,087</u>
<b>Receipts Over (under) Expenditures</b>	33,676	(4,005)		
<b>Unencumbered Cash, January 1</b>	<u>83,002</u>	<u>116,678</u>		
<b>Unencumbered Cash, December 31</b>	<u>\$ 116,678</u>	<u>112,673</u>		

The notes to the financial statements are an integral part of this statement.

## CITY OF ELLIS, KANSAS

## Sewer Utility Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
Sewer Charges	\$ 149,682	150,289	145,000	5,289
Interest	8,127	11,017	5,000	6,017
Miscellaneous	2,457	2,229	1,000	1,229
<b>Total Cash Receipts</b>	<u>160,266</u>	<u>163,535</u>	<u>151,000</u>	<u>12,535</u>
<b>Expenditures</b>				
<b>Sewage Disposal</b>				
Personal Services	24,234	31,444	31,679	235
Contractual	48,412	61,661	69,100	7,439
Commodities	25,357	17,141	23,000	5,859
Capital Outlay	-	7,158	7,500	342
<b>Total Sewage Disposal</b>	<u>98,003</u>	<u>117,404</u>	<u>131,279</u>	<u>13,875</u>
<b>Non-Operating Expenses</b>				
Lease Purchase Payments	6,560	6,560	6,700	140
Principal	44,223	45,748	45,748	-
Interest	24,348	22,934	23,052	118
Transfers Out	10,885	10,885	10,888	3
<b>Total Non-Operating Expenses</b>	<u>86,016</u>	<u>86,127</u>	<u>86,388</u>	<u>261</u>
<b>Total Expenditures</b>	<u>184,019</u>	<u>203,531</u>	<u>217,667</u>	<u>14,136</u>
<b>Receipts Over (under) Expenditures</b>	<u>(23,753)</u>	<u>(39,996)</u>		
<b>Unencumbered Cash, January 1</b>	<u>331,720</u>	<u>307,967</u>		
<b>Unencumbered Cash, December 31</b>	<u>\$ 307,967</u>	<u>267,971</u>		

The notes to the financial statements are an integral part of this statement.

## CITY OF ELLIS, KANSAS

## Sanitation Utility Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
Sanitation Charges	\$ 246,387	251,064	215,000	36,064
Interest	2,512	5,330	600	4,730
Miscellaneous	6,490	7,266	1,000	6,266
<b>Total Cash Receipts</b>	<u>255,389</u>	<u>263,660</u>	<u>216,600</u>	<u>47,060</u>
<b>Expenditures</b>				
Personal Services	89,428	105,851	109,877	4,026
Contractual	69,105	70,613	74,200	3,587
Commodities	20,447	23,625	17,000	(6,625)
Capital Outlay	-	120	20,000	19,880
Transfers Out	22,195	22,195	22,195	-
<b>Total Expenditures</b>	<u>201,175</u>	<u>222,404</u>	<u>243,272</u>	<u>20,868</u>
<b>Receipts Over (under) Expenditures</b>	54,214	41,256		
<b>Unencumbered Cash, January 1</b>	<u>79,119</u>	<u>133,333</u>		
<b>Unencumbered Cash, December 31</b>	\$ <u>133,333</u>	<u>174,589</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF ELLIS, KANSAS  
 Water Depreciation Reserve Fund  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfer In	\$ 40,000	60,000
Expenditures		
Capital Outlay	27,760	23,562
Receipts Over (Under) Expenditures	12,240	36,438
Unencumbered Cash, January 1	190,665	202,905
Unencumbered Cash, December 31	\$ 202,905	239,343

The notes to the financial statements are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
**Sewer Depreciation Reserve Fund**  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Transfer In	\$ 5,000	5,000
Prior Year Cancelled Encumbrance	880	-
<b>Total Cash Receipts</b>	5,880	5,000
<b>Unencumbered Cash, January 1</b>	19,124	25,004
<b>Unencumbered Cash, December 31</b>	\$ 25,004	30,004

The notes to the financial statements are an integral part of this statement.

CITY OF ELLIS  
 Ellis Public Library Board  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Intergovernmental	\$ 5,533	5,525
Interest	473	575
Collections	5,834	6,564
Appropriation	38,815	39,839
<b>Total Cash Receipts</b>	50,655	52,503
<b>Expenditures</b>		
Personal Services	21,724	25,880
Contractual	9,709	20,770
Commodities	9,145	8,673
Capital Outlay	928	395
<b>Total Expenditures</b>	41,506	55,718
<b>Receipts Over (Under) Expenditures</b>	9,149	(3,215)
<b>Unencumbered Cash, January 1</b>	21,688	30,837
<b>Unencumbered Cash, December 31</b>	\$ 30,837	27,622

The notes to the financial statement are an integral part of this statement.

**CITY OF ELLIS, KANSAS**  
Notes to Financial Statements  
December 31, 2006

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**1. Summary of Significant Accounting Policies**

The City has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the statutory basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies:

**A. Financial Reporting Entity**

The **City of Ellis, Kansas** is a municipal corporation governed by an elected Mayor and six elected council members. The City receives funding from local, state, and federal governmental sources and must comply with the requirements of these funding sources.

The financial statements of the City consist of all the funds of the City and governmental entities that are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

The **City of Ellis, Kansas** is the primary government as defined in GASB #14 and further amended by GASB #39. The City Council is elected by the public. The Council has the authority to make decisions, levy taxes, influence operations and has the primary accountability in fiscal matters.

The following is a component unit of the **City of Ellis, Kansas**. The City exercises significant influence or accountability based primarily on operational or financial relationships with the City (as distinct from legal relationships).

**Ellis Public Library Board**

The Ellis Public Library Board is organized under Kansas Statutes for the purpose of operating a public library for the benefit of the City. The Board's members are appointed by the City Council. The City substantially funds the Board's operations by levying tax dollars for the Library. The Board does issue audited financials statements. Contact the City Clerk for information on how to obtain this financial information.

**B. Basis of Presentation – Fund Accounting**

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the City for the year ended December 31, 2006:

**Governmental Funds**

**General Fund** – reports as the primary fund of the City. The fund is used to account for all financial resources not reported in other funds.

**Special Revenue Funds** - to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

**CITY OF ELLIS, KANSAS**  
Notes to Financial Statements  
December 31, 2006

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**B. Basis of Presentation – Fund Accounting (cont.)**

**Debt Service Funds** - to account for the accumulation of resources for and the payment of interest and principal on general long-term debt and the financing of special assessments which are general obligations of the City.

**Capital Project Fund** - to account for financial resources segregated for the acquisition of major capital facilities (other than those financed by Enterprise Funds).

**Fiduciary Funds**

**Agency Funds** - to account for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others.

**Private Purpose Trust Funds** - to account for assets held by a governmental unit as trustee or agent for others. The principal and income of these funds may be expended in the course of the fund's designated operations.

**Proprietary Funds**

**Enterprise Funds** - to account for operations that are financed and operated in a manner similar to private business enterprises - where the stated intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges - or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**C. Statutory Basis of Accounting**

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the statutory basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

**D. Departure from Generally Accepted Accounting Principles in the United States of America**

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the year in accordance with generally accepted accounting principles. General capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

**CITY OF ELLIS, KANSAS**  
Note to Financial Statements  
December 31, 2006

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**E. Accounting for Capital Assets and Depreciation**

The City does not maintain a record of capital assets used in performance of general government operations and the proprietary funds as required by generally accepted accounting principles.

**F. Accounting for Long-Term Liabilities**

The accounting and reporting treatment applied to the long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and fiduciary funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Long-term liabilities expected to be financed from governmental funds are not accounted for in the governmental funds.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

**G. Budgets**

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1<sup>st</sup>.
2. Publication in local newspaper on or before August 5<sup>th</sup> of the proposed budget and notice of hearing on the budget.
3. Public hearing on or before August 15<sup>th</sup>, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25<sup>th</sup>.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

**CITY OF ELLIS, KANSAS**  
Notes to Financial Statements  
December 31, 2006

**G. Budgets (cont.)**

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for Capital Project Funds, Fiduciary Funds, and the following Special Revenue Funds:

Capital Improvement, Capital Improvement - Cemetery Expansion, and Special Machinery.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

**H. Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is utilized in the governmental funds.

**I. Deposits and Investments**

The City follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund type in the summary of cash receipts, cash disbursements and unencumbered cash.

As of December 31, 2006, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Ratings</u>
Repurchase Agreements	\$ 988,000	Less than one year	N/A
Secured by U.S. Treasury & Agencies			
Series HH Treasury Bonds	5,500	2019-2021	N/A
Total Fair Value	\$ 993,500		

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located or in adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

**CITY OF ELLIS, KANSAS**  
Notes to Financial Statements  
December 31, 2006

**I. Deposits and Investments (cont.)**

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

*Concentration of credit risk.* State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City's allocation of investments at December 31, 2006 is as follows:

<u>Investments</u>	<u>Percentage of Investments</u>
Repurchase Agreements	
Secured by U.S. Treasury & Agencies	99.4%
Series HH Treasury Bonds	.6%

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City did not use "peak periods" during 2006. All deposits were legally secured at December 31, 2006.

At December 31, 2006, the City's carrying amount of deposits was \$4,828,252 and the bank balance was \$4,943,157. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$115,104 was covered by federal depository insurance, \$4,828,053 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

All of the underlying securities of the City's repurchase agreements are held by the investments' counterparty, not in the name of the City. The City does not have a formal policy limiting securities held by counterparties.

**J. Capital Projects**

At year end, capital project authorization with approved change orders compared with expenditures from inception are as follows:

	<u>Expenditures to Date</u>	<u>Project Authorization</u>
South Ridge Redevelopment Project Plan – Phase I	\$ 667,572	755,000
Water Project	4,989,273	5,300,000

**CITY OF ELLIS, KANSAS**  
Notes to Financial Statements  
December 31, 2006

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**K. Property Tax Calendar**

Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1<sup>st</sup> are due one-half by December 20<sup>th</sup> and one-half on May 10<sup>th</sup>. Major property tax payments are received January through July and are recognized as revenue in the year received.

**L. Inventories and Prepaid Expenses**

Inventories and prepaid expenses which benefit future periods are recorded as expenditures during the year of purchase as required by state statutes.

**M. Restricted Assets**

These assets consist of cash and short-term investments restricted for Agency Funds.

**N. Compensated Absences**

The City's policy regarding vacation time allows employees to accumulate from five to twenty-one days based on length of service. All vacation time must be taken by the employee's anniversary date. The amount of accumulated vacation time as of December 31, 2006 totaled \$24,165. The City's policy regarding sick leave permits employees to accumulate a maximum of one hundred and two days. Policies do not allow payment of accumulated sick pay upon termination of employment unless accumulated prior to 1989. Three personal days (one-half if part time) a year may be used and charged against sick leave for full time employees. The amount of accumulated sick time as of December 31, 2006 totaled \$93,452.

**O. Defined Benefit Pension Plan**

**Plan Description** – The City participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 South Kansas Avenue, Suite 100; Topeka, KS 66603-3803) or by calling 1-888-275-5737.

**Funding Policy** – K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERs employers. The employer rate established by statute for calendar year 2006 is 4.61% from January 1, 2006 through June 30, 2006 and 4.81% from July 1, 2006 through December 31, 2006. The City employer contribution to KPERs for the year ending December 31, 2006 was \$20,507, equal to the statutory required contributions for the year. Contributions for the last three years are \$20,507, \$13,755, and \$12,529, respectively.

**P. Other Post Employment Benefits**

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

**CITY OF ELLIS, KANSAS**  
Notes to Financial Statements  
December 31, 2006

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**P. Other Post Employment Benefits (Cont.)**

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the City for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

**2. Long-Term Debt**

The City has the following types of Long-Term Debt:

**General Obligation Bonds**

**Revolving Loan** - The City enacted a \$750,000 revolving loan agreement on May 31, 1996 with the Kansas Department of Health and Environment acting on the behalf of the State of Kansas to finance the construction of an activated sludge basin. On June 5, 1998 the maximum loan amount was amended to \$1,113,200 and again amended to \$1,023,155 on January 20, 2001. The City will use proceeds generated by the operation of the facility for loan repayment, which began March 1, 1999.

**Taxable Special Obligation Bond** - The City enacted a Taxable Special Obligation Bond to finance improvements in the South Ridge Redevelopment District, in an amount not to exceed \$2,045,810. The District qualifies as a tax increment financing district. As such, the bond issue is to be paid for from the additional property taxes realized due to the incremental improvements to property within the District. These bonds are further guaranteed by South Ridge Development, LLC. As of December 31, 2005 \$605,000 has been issued on this bond issue.

On March 15, 2006 an additional \$150,000 in Taxable Special Obligation Bonds were issued.

**Lease Obligations** - The City has entered into lease agreements with an option to purchase at the expiration of the lease terms. The leases contain a fiscal funding clause.

**Temporary Notes** - The City issued temporary notes during 2006 pursuant to Kansas statutes for the financing of certain items of property and equipment for Phase One of the water treatment and distribution system project. These notes were called on October 6, 2006.

**Water System Revenue Bonds - Series 2006**

On October 15, 2006, the City issued \$3,300,000 in Water System Revenue Bonds, Series 2006 for the purpose of providing funds to pay part of the cost of improving the City's water utility system.

**Refunded Bonds**

On September 15, 2006 the City issued \$2,170,000 in General Obligation Refunding and Improvement Bonds (\$2,000,000 the "Improvements" and \$170,000 the "Refunded Bonds"). The proceeds from the sale of the Improvement Bonds were used to pay the costs of making certain improvements to the City's water wells, water treatment facility and distribution system.

\$10,000 of the Refunded Bonds was used to pay for issuance costs. The remainder of the proceeds from the sale of the Refunded Bonds was for the annual payment of interest from October 1, 2006 through December 1, 2006, on bonds maturing on October 1, 2007 and thereafter, and to redeem on October 1, 2006, the principal of the City's outstanding General Obligation Bonds, Series 2001, maturing October 1, 2007, and thereafter (the "Refunded Bonds"). The Refunding Plan was undertaken in order to achieve interest cost savings.

**CITY OF ELLIS, KANSAS**  
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December 31, 2006

**2. Long-Term Debt (cont.)**

According to the terms of this Refunding Plan, the Refunded Bonds will be called on their earliest optional redemption date and redeemed at such time, all in accordance with the resolution authorizing their issuance. The Refunded Bonds represent the entire callable portion of the City's General Obligation Bonds, Series 2001. All Refunded Bonds will be called at a price equal to 100% of the par value thereof, without premium. The City will continue to levy taxes to pay the interest and principal on the Series 2001 issue for all bonds due through 2006.

Upon the payment in full of the interest on the Bonds to and including October 1, 2006 and the principal of the Refunded Bonds, all remaining money and Escrowed Securities in the Escrow Fund together with any interest thereon, shall be transferred to the City to be applied in accordance with the law.

**Refunded Bonds**

Series	Amount Outstanding Prior to Refunding	Amount to be Refunded	Maturity Dates to be Escrowed	Call Date	Call Price
2001	\$240,000	\$160,000	10/1/07-10/1/11	10/1/2006	100

Changes in long term liabilities the City for the year ended December 31, 2006 were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
<b>Capital Leases</b>										
Loader	3.75%	06/01/04	\$ 57,156	06/01/11	\$ 49,867	-	(7,566)	(7,566)	42,301	1,870
Generator	3.75%	06/01/04	25,448	06/01/11	22,082	-	(3,225)	(3,225)	18,857	976
Street Sweeper	4.99%	04/21/06	119,648	04/21/13	-	119,648	(19,688)	99,960	99,960	-
<b>Total Capital Leases</b>			<b>202,252</b>		<b>71,949</b>	<b>119,648</b>	<b>(30,479)</b>	<b>89,169</b>	<b>161,118</b>	<b>2,846</b>
<b>Revolving Loan</b>										
KDHE - Sludge Basin Construction	3.42%	05/31/95	1,023,155	08/01/18	734,807	-	(45,748)	(45,748)	689,059	22,634
<b>General Obligation Bonds</b>										
Series 2001	5.50%	08/01/01	359,546	10/01/11	240,000	-	(200,000)	(200,000)	40,000	5,730
Series 2003	3.50%	06/01/03	56,870	08/02/13	47,000	-	(5,000)	(5,000)	42,000	1,645
Series 2006	3.75 - 4.9%	09/15/06	2,170,000	10/01/26	-	2,170,000	-	2,170,000	2,170,000	-
Water System Revenue Bonds - Series 2005	3.5 - 5%	10/15/06	3,300,000	10/01/26	-	3,300,000	-	3,300,000	3,300,000	-
<b>Total General Obligation Bonds</b>			<b>5,886,416</b>		<b>287,000</b>	<b>5,470,000</b>	<b>(205,000)</b>	<b>5,265,000</b>	<b>5,552,000</b>	<b>7,375</b>
<b>Taxable Special Obligation Bond</b>										
Series 2004	6.50%	12/22/04	605,000	12/01/20	605,000	150,000	-	150,000	755,000	39,325
<b>Temporary Notes</b>										
Series 2006 A	4.00%	05/01/06	590,000	10/06/06	-	590,000	(590,000)	-	-	10,161
<b>Total Contractual Indebtedness</b>			<b>8,305,826</b>		<b>1,698,756</b>	<b>6,329,648</b>	<b>(871,227)</b>	<b>5,458,421</b>	<b>7,157,177</b>	<b>82,641</b>
<b>Amount to be Provided for Compensated Absences</b>	N/A	N/A	N/A	N/A	104,036	-	-	13,581	117,617	-
<b>Total Long Term Debt</b>			<b>\$ 8,305,826</b>		<b>\$ 1,802,792</b>	<b>6,329,648</b>	<b>(871,227)</b>	<b>5,472,002</b>	<b>7,274,794</b>	<b>82,641</b>

**CITY OF ELLIS, KANSAS**  
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**2. Long-Term Debt (cont.)**

Current maturities of long term debt and interest for the next five years and in five year increments through maturity are as follows:

	YEAR								Total
	2007	2008	2009	2010	2011	2012-2016	2017-2021	2022-2026	
<b>Principal</b>									
General Obligation Bonds	\$ 220,000	191,000	196,000	201,000	211,000	1,196,000	1,475,000	1,850,000	5,552,000
Revolving Loan	47,326	48,959	50,647	52,394	54,202	300,375	135,156	-	689,059
Taxable Special Obligation Bond	26,000	35,000	35,000	40,000	40,000	260,000	280,000	40,000	755,000
Capital Leases	26,044	27,198	28,414	29,681	31,029	18,752	-	-	161,116
<b>Total Principal</b>	<b>318,370</b>	<b>302,157</b>	<b>310,061</b>	<b>323,075</b>	<b>335,231</b>	<b>1,777,127</b>	<b>1,890,156</b>	<b>1,900,000</b>	<b>7,157,177</b>
<b>Interest</b>									
General Obligation Bonds	250,846	241,538	234,482	227,085	219,285	961,605	682,845	285,590	3,103,676
Revolving Loan	21,471	19,858	18,393	16,774	15,099	48,273	5,401	-	145,369
Taxable Special Obligation Bond	56,008	47,450	46,175	42,800	41,300	153,300	61,750	5,525	454,408
Capital Leases	7,281	6,127	4,910	3,644	2,320	936	-	-	25,218
<b>Total Interest</b>	<b>335,596</b>	<b>315,073</b>	<b>303,970</b>	<b>290,383</b>	<b>278,014</b>	<b>1,164,414</b>	<b>749,996</b>	<b>291,215</b>	<b>3,728,671</b>
<b>Total Principal and Interest</b>	<b>\$ 653,976</b>	<b>617,230</b>	<b>614,031</b>	<b>613,458</b>	<b>614,245</b>	<b>2,941,541</b>	<b>2,640,152</b>	<b>2,191,215</b>	<b>10,885,848</b>

**3. Compliance with Water System Revenue Bonds Covenants**

The Water System Revenue Bonds - Series 2006 requires that the City meet certain covenants set forth by the bond company as long as the Bonds remain outstanding.

The City has complied with the covenants set forth in Resolution No. 442 which was adopted on October 2, 2006.

There were 996 customers being served by the System at January 1, 2006 and 1,024 customers being served at December 31, 2006.

The City carries liability insurance with Cincinnati Insurance and property and casualty insurance with EMC Insurance Companies. Coverage has been put in place on temporary property for the water project. The contractor is responsible for the insurance coverage on the project until complete.

No amounts were required to be deposited into the Rebate Fund for the year ended December 31, 2006.

**4. Transfers and Payments**

Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects, and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas Statutes. The City's operating transfers and statutory authority for December 31, 2006 were as follows:

From	To	Authority	2006
General	Capital Improvement	KSA 12-1,118	\$ 10,000
General	Special Machinery	KSA 12-1,117	55,000
General	Cemetery Expansion	KSA 12-1,118	5,000
Water Utility	Water Depreciation Reserve	KSA 12-825d	60,000
Sewer Utility	Sewer Depreciation Reserve	KSA 12-825d	5,000
General	Co-Insurance	Via Ordinance	51,405
Water Utility	Co-Insurance	Via Ordinance	21,965
Sewer Utility	Co-Insurance	Via Ordinance	5,885
Sanitation	Co-Insurance	Via Ordinance	22,195
Campground	Co-Insurance	Via Ordinance	690
Special Highway	Co-Insurance	Via Ordinance	8,280
<b>TOTAL</b>			<b>\$ 245,420</b>

**CITY OF ELLIS, KANSAS**  
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**5. Related Party Transactions**

In accordance with Financial Accounting Standards Board Statement No. 57 (the Statement), the following related party transactions were identified for 2006. Related party transactions do not include compensation arrangements, expense allowances and reimbursements, and similar items incurred in the ordinary course of operations and, accordingly, such items are not included below.

	<u>2006</u>
Trio Lumber & Building Center	
David McDaniel is owner of the company and was the Mayor in 2006:	
Supplies	<u>\$ 8,539</u>

**6. Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the statutory basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**7. Risk Management-Claims and Judgments**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has been able to obtain errors and omissions insurance at a cost it considered to be economically justifiable.

The City carries commercial insurance for other risks of loss, including property, general liability, inland marine, workmen's compensation, umbrella, automobile, linebacker and surety bond coverage.

The City has elected to obtain comprehensive and collision coverage on all City owned motor vehicles.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. At December 31, 2006 the financial statements do not include liabilities for anticipated costs.

**8. Litigation**

The City is party to various legal proceedings, such as foreclosure actions and tax appeals, which normally occur in governmental operations. The legal proceedings are not likely to have a material adverse impact on the funds of the City.

**9. Grants and Shared Revenues**

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audits, is not believed to be material.

**CITY OF ELLIS, KANSAS**  
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**10. Comparative Data**

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in the City's cash and unencumbered cash balances. However, complete comparative data (i.e., presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.